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Agenda item 107
Review of the efficiency of the administrative and financial functioning of the United Nations

Procurement reform

Outsourcing practices

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee has considered the reports of the Secretary-General on procurement reform (A/59/216) and on outsourcing practices (A/59/227). During its consideration of the reports, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

Procurement reform

2. The report of the Secretary-General on procurement reform is submitted pursuant to General Assembly resolution 57/279 of 20 December 2002. The Committee welcomes the format of the report which addresses in each section the various requests made by the Assembly in its resolution 57/279 and which summarizes the procurement reform activities undertaken and the progress made during the past two years.

3. The Committee notes from the statistical data provided in annex I to the report that the total volume of procurement has increased from $468 million in 1999 to $892 million in 2003, and that the share of the developing countries of the total volume of procurement for 2003 amounts to 13.6 per cent. The report depicts the efforts made by the Secretariat to encourage increased procurement from developing countries. Thus, paragraph 3 of the report indicates the increase in the number of seminars conducted and in the vendors successfully registered from developing countries and countries with economies in transition, as well as the creation of a standing working group which will coordinate seminar-related activities throughout the United Nations system, develop common presentation materials and coordinate the training of staff participating in the business seminars. **The Advisory Committee encourages the exploration of other avenues through inter-agency**

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facilities, including an analysis of the current approach to seminars in order to make them more results-oriented. Also, the Advisory Committee recommends that follow-up mechanisms be considered, with a view to further increasing the procurement opportunities for vendors from developing countries and countries with economies in transition.

4. The Committee notes the progress achieved in the harmonization and streamlining of procurement practices. As indicated in the report, a series of headquarters system contracts have been negotiated, open to all funds and programmes based in New York, and a tracking system that monitors the usage of system contracts now allows action to be taken when they are close to the ceiling of the established contract amount. The Internet site, UNBIZ, maintained by the Procurement Service (formerly known as the Procurement Division), provides a gateway that helps suppliers and the public to navigate the procurement sites of participating organizations in the United Nations system. In addition, the revised Financial Regulations and Rules promulgated in 2003 allow the Secretariat of the United Nations to cooperate more fully with other organizations of the system in the area of procurement. The Committee was informed that the adoption of a common commodity classification system might be considered, thus also allowing for closer interaction within the United Nations system.

5. A number of initiatives, developed to improve efficiency, are presented in paragraphs 16 to 20 of the report of the Secretary-General. Among them, one system, known as eHCC, allows the electronic processing of presentations to the Headquarters Committee on Contracts. Peacekeeping missions now submit local procurement cases that are to be reviewed by the Headquarters Committee on Contracts directly to the Procurement Service for its review and processing through the eHCC system, thereby streamlining and speeding up the whole process. The Committee was informed that this initiative was not a replacement for the process itself but that it translated into a lighter workload in terms of human resources and paperwork, and that the initiative was expected to be rolled out to the field later in 2004. **The Committee welcomes this initiative.**

6. The Committee was informed that, in February 2004, a newly designed Internet-based vendor registration system, the United Nations Global Marketplace, had been launched, in which all organizations of the system would participate. As indicated in paragraph 8 of the report, it is planned to make the Global Marketplace "a consolidated one-stop shop which will meet all requirements of both the public and the United Nations staff members working in procurement" and to roll the system out to field missions and other field offices in the near future. The system is to include a vendor performance rating system, thus allowing information on the performance of the vendors to be shared among users at United Nations organizations. **The Advisory Committee welcomes the review of vendor management mentioned in paragraph 9 of the report of the Secretary-General and the implementation of the related recommendations in order to simplify and streamline the vendor registration process, particularly where different organizations take the lead in evaluating and pre-qualifying vendors providing goods and services in the areas in which they possess expertise, thus sharing responsibility among the various organizations of the United Nations system.**

7. The Committee was informed that, as at 21 October 2004, 4,664 vendors were fully registered and 440 vendors were provisionally registered (less than 9 per cent) in the database of the Procurement Service.

8. The Committee held an exchange of views with the representatives of the Secretary-General regarding the issue of accountability within the procurement reform framework, taking into account the weaknesses identified by the Board of Auditors and the Office of Internal Oversight Services in relation to the process of vendor registration.[1] The Committee was informed that, although there was a mechanism to review exceptions (a committee that looks at vendor registration), a system (Mercury II) was being developed to address the issue. **The Advisory Committee recommends that the weaknesses in the process be addressed, taking into account the comments and observations of the Board of Auditors and the Office of Internal Oversight Services. The Committee requests that information regarding the accountability factor within the procurement reform framework be provided in the next report of the Secretary-General.**

9. As regards field procurement, the Committee notes that the Procurement Service is now responsible for clearing the candidates applying for procurement positions in the field, and that annual meetings are organized at Headquarters, with the participation of all heads of procurement at offices away from Headquarters, regional commissions, international tribunals and all peacekeeping missions, to discuss issues of common interest and provide additional training. The Committee also notes that the Procurement Service has taken over the responsibility for coordinating the training of field procurement staff, as indicated in paragraphs 14 and 22 of the report. **The Advisory Committee is of the opinion that the training programmes should focus on a train-the-trainers approach, by means of which, large numbers of junior personnel could be trained in a more cost-effective and efficient way. In addition, the Committee recalls that it has previously drawn attention to the need to monitor and evaluate training needs (see A/57/772, paras. 127-133, and A/58/759, paras. 75-78).**

10. The Committee enquired into the matter of delegation of authority. In this connection, it was informed that delegation of authority with regard to procurement, establishment of local committees on contracts, property management and inventory control was being finalized. The new delegations of authority, which are to be issued in the near future, are in line with those issued by the Controller for financial authority. The proposed delegation will be given, on a "personal" basis, to the Chief Administrative Officer who may delegate downwards to the Chief Procurement Officer, individual procurement officers and Field Service staff, but he/she will remain accountable for the appropriate use of the authority, thus addressing the need to strengthen monitoring, oversight and accountability.

11. The Committee notes that it is also proposed to delegate authority to the field for requirements which by their nature lend themselves to local procurement, such as leasing of premises, provision of fresh food, laundry and cleaning services, local utility services etc. These core items, of a value up to $1 million, require knowledge of local market conditions and in-theatre sources of supply, for which Headquarters cannot add significant value to the process of procurement. However, the initiative will incorporate a reporting mechanism and will be closely monitored. Core items with an estimated value of over $1 million will continue to be submitted to Headquarters for review and approval.

Outsourcing practices

12. The report of the Secretary-General on outsourcing practices (A/59/227), submitted in compliance with the request made by the General Assembly in paragraph 3 of its resolution 58/276 of 23 December 2003, provides information regarding the location, type of outsourced activity and reason for the particular requirement, based on the four basic criteria endorsed by the Assembly, as well as the savings identified, as requested by the Advisory Committee in its previous report on the subject (A/57/7/Add.1).

13. **The Advisory Committee is of the opinion that consideration should be given to providing the information through a thematic approach by locality, instead of just a list of outputs, and to including an analysis of trends, which would provide a better picture of the interests of the Organization.**

Notes

[1] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5* (A/59/5), vol. I, chap. II; and A/59/396.

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Agenda items 27, 36, 39 (d), 52, 54, 65, 85 and 148

The situation in Afghanistan and its implications for international peace and security

The situation in the Middle East

Strengthening of the coordination of humanitarian and disaster relief assistance of the United Nations, including special economic assistance: emergency international assistance for peace, normalcy and reconstruction of war-stricken Afghanistan

Revitalization of the work of the General Assembly

Strengthening of the United Nations system

General and complete disarmament

Sustainable development

Measures to eliminate international terrorism

Security Council
Fifty-ninth year

Letter dated 27 October 2004 from the Permanent Representative of Kazakhstan to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the text of the declaration of the Ministers for Foreign Affairs of the States members of the Conference on Interaction and Confidence-Building Measures in Asia, adopted at their ministerial meeting, held in Almaty, on 22 October 2004 (see annex).

Since Kazakhstan is chairing the Conference on Interaction and Confidence-Building Measures in Asia process, I would be grateful if you would have the present letter and its annex circulated as a document of the General Assembly, under agenda items: 27, 36, 39 (d), 52, 54, 65, 85 and 148, and of the Security Council.

(*Signed*) Yerzhan Kh. **Kazykhanov**

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Annex to the letter dated 27 October 2004 from the Permanent Representative of Kazakhstan to the United Nations addressed to the Secretary-General

[Original: English/Russian]

Declaration of the Ministers for Foreign Affairs of the Member States of the Conference on Interaction and Confidence-Building Measures in Asia, adopted at their ministerial meeting in Almaty, 22 October 2004

We, the ministers for Foreign Affairs of the States members of the Conference on Interaction and Confidence-Building Measures in Asia (CICA), met today in Almaty to exchange views on the current situation at the regional and global levels and to explore possibilities to further cooperation, peace and security in Asia.

The situation on the Asian continent and in the world is rapidly changing. Peace, development and cooperation are the main trends, but threats to peace and security, such as terrorism in all its forms and manifestations, violent manifestations of separatism and extremism, proliferation of weapons of mass destruction and the means of delivery and the possibility of their falling in the hands of terrorists, illicit drug trafficking, regional conflicts and disputes, foreign occupation, economic and social problems, in particular poverty, human trafficking and the illicit trade in small arms and light weapons, continue to exist. These threats and opportunities are global in nature and multilateral efforts by the international community are required to deal with them effectively. The situation in Asia is characterized by the diversity of its political and economic systems and unique cultural traditions, and therefore requires due attention to these particularities in the formulation of approaches for enhancing security and prosperity of our peoples.

We stress that the main objective of CICA is to make its own contribution the enhancement of an atmosphere of peace and security in Asia. In this respect, CICA represents a forum where prospects for our interaction can be discussed and appropriate multilateral approaches for enhancing cooperation can be elaborated in accordance with the purposes and principles of the Charter of the United Nations and the Almaty Act.

We reaffirm our commitment to uphold and defend the principles of the Charter of the United Nations and international law.

We recognize the special role of confidence-building measures in enhancing cooperation and further developing an atmosphere of peace, confidence and friendship in Asia and in creating favourable conditions for finding solutions to problems in the military-political, economic and environmental, humanitarian and cultural spheres.

Recent developments in international relations demonstrate that multilateral approaches based on the widest possible internctional support are the most effective way to address the challenges of the contemporary world. We therefore reaffirm the central role of the United nations in the maintenance and promotion of international peace, security and sustainable development in accordance with its Charter. We emphasize the need for reform of the United Nations system .o make it more responsive to traditional and new challenges and agree to work towards this goal.

We reaffirm that the unit, independence, sovereignty and territorial integrity of Iraq, including the right of the Iraqi people as a whole to control their financial and natural resources, should be respected by the international community. We welcome the statement by the Iraqi Interim Government to establish good relations between Iraq and its neighbouring States based on mutual respect and the principle of non-interference in their internal affairs, as well as to abide by the existing treaties and arrangements, in particular those relevant to internationally recognized borders, and invite Iraq and its neighbouring States to actively cooperate to promote peace and stability in the region, including by eliminating all terrorist presence in their territories. We support the initiation of the political process in Iraq as outlined in United Nations Security Council resolution 1546 (2004). We emphasize that the United Nations should play a central role in this process. We welcome the forthcoming international conference on Iraq to be held in Egypt from 23 to 25 November 2004.

We support the process of political and economic reconstruction in Afghanistan and encourage all countries, including neighbouring States, to intensify their efforts to assist the Afghan Government in promoting stability, economic rehabilitation and fighting terrorism and drug production in the country. We also consider it necessary to continue collective efforts to chart a comprehensive strategy of international actions to counter the drug threat originating from Afghanistan. We welcome the presidential elections in Afghanistan as one of the key elements of the Bonn process and the first most important step towards establishing new state institutions based on democratic principles.

We are concerned with the situation in the Middle East and call upon all parties concerned to resume negotiations to help achieve comprehensive, lasting and just peace, security and stability in this region. We welcome initiatives to achieve this objective, in particular the Roadmap, as endorsed by United Nations Security Council resolution 1515 (2003), and President Bush's vision.

We support the establishment of peace and stability in the South Caucasus, which would serve the interests of all States concerned and enhance the stability of the entire Eurasian region, through the peaceful settlement of conflicts on the basis of the norms and principles of international law and relevant United Nations Security Council resolutions.

We support the process of the Six-Party Talks aimed at denuclearization and the establishment of a nuclear-weapon-free zone in the Korean peninsula. We stand for an early achievement of mutually acceptable agreements that would promote peace, security and cooperation in the Korean peninsula and in north-east Asia as a whole.

We strongly condemn terrorism in all its forms and manifestations, violent manifestations of separatism and extremism and agree to enhance our efforts at bilateral and multilateral levels in fighting these common threats, which undermine the very foundations of international peace and security. The fight against these threats should be global, comprehensive and sustained, not selective or discriminatory, and should avoid applying double standards.

We unequivocally support the presidential statement issued by the Security Council of the United Nations (S/PRST/2004/31) condemning the recent terrorist attacks in the Russian Federation.

We reaffirm that proliferation of nuclear, chemical and biological weapons and their means of delivery pose a threat to international peace and security, and call upon all States to fulfil their respective obligations in the sphere of disarmament and non-proliferation. In this regard, it is vital to prevent terrorist and criminal groups from attempts to acquire nuclear, chemical, biological and radiological weapons, their means of delivery and related materials, and multilateral efforts to reduce this threat should be greatly encouraged.

We emphasize that international efforts to prevent nuclear proliferation should not affect the rights of States to access and use nuclear technology and materials for peaceful purposes, in accordance with their respective obligations emanating from relevant International Atomic Energy Agency (IAEA) safeguards agreements.

We recognize that economic and social progress is a vital component of security and stability in Asia. We therefore stress the importance of the development of regional and subregional dialogue and the strengthening of multilateral cooperative approaches as well as measures, as appropriate, on promoting sustainable development, economic cooperation, the well-being of our peoples and respect for human rights.

We support various multilateral and individual initiatives on development of dialogue among civilizations, which is one of the principal instruments in fighting terrorism in all its forms and manifestations and intolerance and in promoting peaceful coexistence among adherents of different religious or cultures.

Today we adopted decisions reflecting the results of the work done by the States members in order to accomplish tasks given by the heads of State and/or Government at the 2002 CICA Summit and to continue our work in preparations for the next CICA Summit.

Almaty, 22 October 2004